

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 SP-02 USIA-06 AID-05 EB-08 NSC-05

TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00

COME-00 FRB-03 INR-07 NSAE-00 XMB-02 OPIC-03

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FM AMEMBASSY PARIS

TO SECSTATE WASHDC 7037

INFO AMEMBASSY BRUSSELS

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PASS TREASURY AND FEDERAL RESERVE

E.O. 11652: N/A

TAGS: EFIN, ECON, FR

SUBJECT: MICHEL DEBRE ON INTERNATIONAL ECONOMICS --

A GAULLIST MANIFESTO WITH BROAD RESONANCE?

MICHEL DEBRE, WRITING IN LE FIGARO OF AUGUST 5, HAS PUT HIS OWN INIMITABLE RHETORIC AROUND A SET OF IDEAS WHICH SEEM TO BE GAINING INCREASED CURRENCY IN FRANCE IN RECENT MONTHS. IN ESSENCE, DEBRE VIEWS THE INTERNATIONAL ECONOMIC PROCESS AS HAVING BECOME A FORM OF SAVAGE WARFARE WITHOUT QUARTER -- A WAR WHICH REQUIRES FRANCE TO COUNTERATTACK WITH HIGHLY NATIONALISTIC AND PROTECTIONIST POLICIES. WHILE DEBRE'S VIEWS ARE WELL KNOWN AND NOT WORTH REPORTING FOR THEMSELVES, MANY OF THE POINTS MADE IN THE SUBJECT ARTICLE ARE WIDELY SHARED ACROSS THE FRENCH POLITICAL SPECTRUM AND HIS INFLAMMATORY RHETORIC MAY FIND MORE RESONANCE THAN USUAL.

ACCORDING TO DEBRE, THE WORLD ECONOMY HAS CHANGED PRO-
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FOUNDLY SINCE THE EARLY 1970'S FOR FIVE BASIC REASONS:

1) PRIVATE INCOMES AND EXPECTATIONS OF INCREASING CONSUMPTION WORLDWIDE THAT HAVE FAR OUTSTRIPPED PRODUCTIVE CAPACITY.

2) GOVERNMENT DEFICIT SPENDING THAT HAS CAUSED MANY

INDIVIDUAL COUNTRIES TO LIVE BEYOND THEIR MEANS, MOST NOTABLY THE U.S., BUT ALSO FRANCE.

3) DESTRUCTION OF THE INTERNATIONAL MONETARY ORDER CREATED AFTER WORLD WAR II -- AN ORDER WHICH FORCED NATIONAL DISCIPLINE BY REQUIRING COUNTRIES TO PAY FOR THEIR DEFICITS WITH THEIR RESERVES AND TO LIMIT THEIR INVESTMENTS IN PROPORTION TO THEIR SAVINGS. ACCORDING TO DEBRE, "THE DISORDER WHICH HAS BEEN POMPOUSLY CHRISTENED AS 'THE THEORY OF FLOATING EXCHANGE RATES' LEADS ONLY TO NONPAYMENT OF DEFICITS, NON-REPAYMENT OF LOANS AND INVESTMENT NOT FINANCED BY SAVINGS. IN OTHER WORDS, IT ENCOURAGES INFLATION."

4) A PROFOUND CHANGE IN THE CONDITIONS OF INTERNATIONAL TRADE. "WE HAVE ENTERED INTO THE ERA OF SAVAGE COMPETITION." THIS, SAYS DEBRE, RESULTS FROM EXCESS OVERSEAS INVESTMENT AND FROM THE INDUSTRIALIZATION OF THE FAR EAST, WHERE WESTERN AND JAPANESE CAPITAL HAVE SUPPLIED THE MOST MODERN MACHINE TOOLS TO "A SERVILE LABOR FORCE WITH LOW LIVING STANDARDS, NO SOCIAL LEGISLATION, AND PRACTICALLY NO LIBERTY . . . A SORT OF RETURN TO SLAVERY THAT CAUSES UNEMPLOYMENT ELSEWHERE."

DEBRE'S PROGNOSIS IS THAT THINGS WILL GET WORSE:
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--"IN MONETARY MATTERS FROM NOW ON THE ONLY LAW WILL

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BE SURVIVAL OF THE FITTEST. WHY LAMENT THE FACT THAT THE DOLLAR IS UNDERVALUED, WHEN THE U.S. TREASURY WANTS IT TO BE UNDERVALUED? THIS IS THE WAY IT WILL BE AS LONG AS THE POLITICAL POWER OF THE U.S. PERMITS ITS LEADERS TO PROCEED ALONG THESE LINES."

--"PETROLEUM PRICES WILL CONTINUE TO INCREASE. ECOLOGISTS WHO OPPOSE NUCLEAR POWER GENERALLY ARE THUS THE TRUE DESCENDENTS OF THE PACIFISTS WHO PREFERRED SUBJUGATION TO THE RESISTANCE."

FROM THE ABOVE ANALYSIS, DEBRE DRAWS TWO MAJOR POLICY CONCLUSIONS:

1) THE COMMON MARKET STRUCTURE IS INADEQUATE TO THE TASK, BOTH BECAUSE IT IS INEVITABLY DOMINATED BY THE INTERESTS OF ITS STRONGEST MEMBERS, AND BECAUSE IT CANNOT NEGOTIATE EFFECTIVELY WITH NATIONAL GOVERNMENTS, NOTABLY THE U.S. AND JAPAN.

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2) FRANCE NEEDS TO RETURN TO "SERIOUS" ECONOMIC PLANNING WITH PRIORITY GIVEN TO THE CREATION OF NEW DOMESTIC ENERGY SOURCES, TO PROTECTION OF ENDANGERED SECTORS OF INDUSTRY AND AGRICULTURE, AND TO FURTHER DEVELOPMENT OF ADVANCED TECHNOLOGICAL INDUSTRIES AND RESEARCH. THIS NATIONAL PLANNING WILL REQUIRE A STRICT MONETARY AND FISCAL POLICY, A COURAGEOUS INCOMES POLICY, AND A RETURN TO ESSENTIAL TARIFF PROTECTION IN CERTAIN SECTORS.

COMMENT: BUT FOR HIS EMPHASIS ON MONETARY AND FISCAL STRICTNESS AND ON INCOMES POLICY, DEBRE'S POLEMIC COULD EASILY HAVE BEEN UTTERED BY MANY A POLITICIAN OF THE FRENCH LEFT. IT NO DOUBT ALSO FOUND RESONANCE ELSEWHERE ACROSS THE POLITICAL SPECTRUM AS WELL AS AMONG MANY FELLOW GAULLISTS. BARRE AND GISCARD AND MANY OF THEIR SUPPORTERS TAKE A MORE

MODERATE LINE, AS DO MANY CHIRACISTS WITHIN THE
GAULLIST RPR, BUT THEIR SUCCESS IN DAMPENING THIS
TYPE OF HARD-LINE ECONOMIC NATIONALISM DURING THE
COMING MONTHS IS FAR FROM ASSURED.
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